

**PRELIMINARY PROPOSAL OF THE JOINT CITY OF SAN ANTONIO/BEXAR  
COUNTY TAX PHASE-IN TASK FORCE**

**TAX PHASE-IN GUIDELINES**

**FOR**

**BEXAR COUNTY**

**AND**

**CITY OF SAN ANTONIO**

Policy Statement

The growth and diversity of a regional economy is critical to the long-term well being of a community and its citizens. Today, perhaps more than ever, communities must strategically plan and implement policies to achieve these goals. Through joint tax phase-in program guidelines for Bexar County and the City of San Antonio, the collaborative efforts of San Antonio's economic development partners are refining strategies to attract and grow targeted industries in order to increase employment, expand the tax base, and create long-term investment and new wealth opportunities in the community.

Both the City Council of the City of San Antonio and the Commissioners Court of County of Bexar, Texas will consider these guideline recommendations to ensure that any phase-in of property taxes achieves these community economic development goals.

Introduction

Chapter 312 of the Texas Tax Code authorizes local governments to abate ad valorem property taxes on the value of new improvements to the property, including real property, tangible personal property, and inventory and supplies. Taxing jurisdictions (i.e., Bexar County and the City of San Antonio) are required by this statute to develop and periodically review guidelines every two years for the eligibility and award of this tax incentive.

State law further requires that each taxing jurisdiction enter into a Tax Abatement Agreement with each owner of property or the owner of a leasehold interest in real property receiving an abatement or portion thereof. These agreements are binding legal documents between all parties involved. Additional provisions and requirements are included in those agreements.

Eligibility Criteria

Under these guidelines, to be eligible for consideration by these jurisdictions for tax abatement, a company or project must meet and/or exceed criteria in the following categories, as described below:

- Minimum amount of real or personal property investment must be achieved
- Minimum level of full-time job creation must be achieved
- Employee access to health care benefits must be provided
- Minimum wage requirements for employees must be achieved
- Company must be in a targeted industry, or non-targeted industry but meeting exceptional investment requirements

The amount and term of the tax abatement will also be impacted by:

- The location of facility
- Other incentives used for same project
- Overall benefit to the community

### *Investment*

In order to be eligible for an abatement of real property, personal property, or inventory and supplies, the company must meet the following investment thresholds:

1. Real property improvements of at least \$1,000,000 in the property of interest, **OR**
2. Investment of at least \$10,000,000 in tangible personal property and inventory and supplies located at the property of interest after execution of the abatement

If the company meets these investment criteria, as well as the other criteria in these guidelines, the company will be able to select an abatement of taxes on one of the following:

- The real property improvements **OR**
- The new personal property investment and inventory and supplies

However, if the project meets the criteria of an “exceptional investment” (defined below), the company will be eligible for an abatement of the real property improvements, the personal property investment, and the amount of inventory and supplies.

### *Job Creation*

The company undertaking a project must create at least 25 new, permanent full-time positions at the new or expanded facility. This figure does not include any temporary construction-related jobs. Full-time employees are those considered full-time under a company’s particular policy, sufficient to receive benefits, including access to affordable health insurance for the employee and dependents (see below). However, temporary workers and “full-time equivalents (FTE)” are not considered full-time jobs under these criteria.

### *Employee Health Care Benefits*

The company undertaking a project must provide each full-time person employed at the project location and his or her dependents with access to affordable health insurance within a reasonably timely manner from the date the employee starts employment.

### *Wage Requirement*

All (100 percent) new and existing employees of the company requesting a tax phase-in, *at the project location*, must earn a cash wage exceeding the poverty level for a family of four, as determined annually by the U.S. Department of Health and Human Services (HHS). This Wage Requirement currently equals \$8.85 per hour.

If the company does not meet and maintain this wage requirement for all pertinent employees going forward, the company will be considered in default of the Agreement, possibly resulting in termination of the agreement and subject to recapture of prior abated property taxes.

The Wage Requirement will be established for a company at the time the City/County officially extend or propose the incentive to the company or on the date of the company's tax abatement application, whichever is earlier. If a company plans to pay all of its employees a wage that exceeds the Wage Requirement by 10 percent or more, then the Wage Requirement will remain constant and in effect throughout the term of the agreement without exception.

Otherwise, the City/County will, at the mid-point of the term established in a Tax Abatement Agreement, determine if 100 percent of the permanent, full-time positions created and maintained at the project location pursuant to the Agreement continue to meet or exceed the Wage Requirement, which is subsequently adjusted annually by HHS. At that time, if it is determined that some of those employees are not paid a cash wage equal to the then-effective adjusted Wage Requirement, then City/County may, if not corrected, take action to reduce the amount of the abatement given in any one year by up to 25%, for the remainder of the term authorized under the Agreement.

### *Targeted Industries*

The majority of the company's business at the project location must be engaged in one of the following targeted industries, as defined in Appendix A:

- Agribusiness
- Aviation/Aerospace
- Biotechnology
- Information Technology and Security
- Telecommunications
- Logistics and Distribution
- Manufacturing

- Business Services

Additionally, the following projects are also eligible for consideration:

- Corporate and Regional Headquarters
- Central City Multi-Family Housing or Mixed-use Project

#### *Non-targeted Industry*

Companies whose majority business is not in a targeted industry may still be eligible for tax abatement only if they meet the following criteria:

Exceptional investment and employment – the company must make an investment in real property improvements of at least \$50,000,000 **and** create at least 500 new permanent full-time jobs,

Regardless of the investment or jobs created, retail stores or the retail component of a business are not eligible for an abatement.

#### *Targeted Areas for Investment and Job Creation*

Certain areas are targeted for job creation and investment. Depending on the location of the project, the term of the abatement will vary, as follows:

Areas eligible for a 10-year term:

- Projects located within Loop 410 or located south of U.S. Highway 90 will be eligible for an abatement term up to 10 years.
- Projects located within the Medical Center area, the boundaries of the San Antonio International Airport, or the Texas Research Park Foundation.

Areas eligible for a 6-year term:

- Projects located outside of Loop 410 and also located north of Highway 90 will be eligible for an abatement term up to only 6 years.

Areas not eligible for an abatement:

- Projects located in whole or in part over the Edwards Aquifer Recharge Zone or contributing zones are not eligible for abatement.

These criteria will not be used to favor one location over another in Bexar County, except as permitted by the guidelines.

#### *Additional Terms and Conditions*

Each jurisdiction reserves the right to negotiate additional terms and conditions on a case-by-case basis.

#### Amount of County Abatement

Property taxes are the single largest source of operating funds for Bexar County (70% of its General Fund revenue), while they are the third largest source of operating revenue for the City of San Antonio. So, dollar for dollar, a tax abatement has a greater organizational impact on the County government than on the City government. To help equitably invest in economic development projects using tax abatements, for every \$1.00 in abated City taxes granted under these guidelines, the County will grant \$0.40 (40%). Applicants will, however, be able to negotiate for additional County participation if they meet certain other criteria, as defined below.

Bexar County may increase the amount of the abatement based on the following criteria:

- **Local Hire Incentive:** Applicant agrees to fill at least 25% of the employment positions created and maintained with individuals whose place of residence, for at least six months prior to employment with the applicant, is located in Bexar County.
- **Hiring of Economically Disadvantaged or Dislocated Individuals Incentive:** Applicant commits that at least 25% of the employment positions created will be filled with economically disadvantaged and/or dislocated individuals.
- **Small, Minority, Women-owned Business Enterprise (SMWBE) Incentive:** Applicant agrees to make a good faith effort to award at least 25% of its contracted work to minority and women-owned small business and will make a good faith effort to award at least 10% of its contracted work to small businesses. A good faith effort is defined as the applicant increasing involvement of SMWBEs in the projects procurement process within the areas of commodities, equipment, services (non-professional and operations), maintenance and construction.
- **Clean and Renewable Energy Practices Incentive:** Applicant commits to reducing the environmental impacts associated with the project and demonstrating sound environmental practices when constructing, operating and maintaining the project, in combination with providing the employment positions created and maintained with incentives to utilize mass transportation alternatives in community to the workplace.

## **APPENDIX A**

### **DEFINITIONS**

Agribusiness: Businesses engaged in the research, development, manufacturing, or refining of agricultural products into foodstuffs or for use as intermediate products in the processing of other agricultural finished goods or products, including those related to defense operations.

Aviation/Aerospace: Companies primarily engaged in one or more of the following activities:

- (1) Manufacturing complete aircraft, missiles, or space vehicles
- (2) Manufacturing aerospace engines, propulsion units, auxiliary equipment or parts
- (3) Developing and making prototypes of aerospace products
- (4) Aircraft conversion (i.e., major modifications to systems)
- (5) Complete aircraft, missile, or space vehicle or propulsion systems maintenance, repair, overhaul and rebuilding (i.e., periodic restoration of aircraft to original design specifications)
- (6) Research and development
- (7) Defense- related operations
- (8) Regional air passenger operations

Biotechnology: This industry comprises establishments primarily engaged in conducting research, development, and manufacturing in the physical, bio-engineering, and life sciences, such as agriculture, environmental, biology, botany, biotechnology, chemistry, food, fisheries, forests, health, and defense-related operations.

Business Services: Includes businesses or divisions of corporations that are primarily engaged in business support functions that require a high level of technical expertise, such as finance/accounting, insurance/risk management, marketing, real estate/planning, project management, and other analytical services or transactional operations. It does not include call center operations, as defined below. It is required that a majority of the positions at the project site require a bachelors degree, professional degree, or or equivalent relevant professional experience.

Call Center: A business in which the main task of a predominant number of the employees at the location is to receive communications via telephone, fax, electronic mail, or postal service for the purposes of providing customer service may be eligible for a tax abatement. A business whose predominant function is to make outbound calls or a business who contracts their call center services to other companies, regardless of whether or not the communications are inbound or outbound, are not eligible for a tax abatement.

Central City Multi-family Housing: Multi-family market rate housing project or mixed-use project, defined as a project with housing units constituting at least 75 percent of the usable enclosed space, located within boundaries defined by the Empowerment Zone, the River Overlay District, and Brooks City Base. Any tax increment reinvestment zones or tax increment financing zones within the aforementioned areas are excluded. See map in Appendix B.

Contributing Zone:

Corporate and Regional Headquarters: The firm's corporate or regional legal principal place of business is located in Bexar County, and its total assets will be at least

\$500,000,000 and/or its total revenues will be at least \$500,000,000 for the corporate fiscal year preceding the date of the filing of its application for Tax Phase-In with the City of San Antonio or Bexar County. This does not include the corporation's retail outlets.

Information Technology and Security: This industry comprises establishments primarily engaged in planning and designing computer systems that integrate computer hardware, software, and communication technologies. The hardware and software components of the system may be provided by this establishment or company as part of integrated services or may be provided by third parties or vendors. These establishments often design and develop software, install the system and train and support users of the system.

Companies in this industry are engaged in the following activities:

- (1) Producing and distributing information and cultural products
- (2) Providing the means to transmit or distribute these products as well as data or communications
- (3) Research and development
- (4) Defense-related operations
- (5) Processing data

Logistics/Distribution: Businesses involved in the receiving, storage, service, or distribution of goods or materials, where a majority of the goods or services are distributed to points outside the San Antonio metropolitan statistical area. This includes defense-related operations.

Manufacturing: Businesses engaged in the mechanical, physical, or chemical transformation of materials, substances, or components into new products - includes related research and development and defense-related operations.

Medical Center Area: The area bound by Louis Pasteur to the South, Babcock Road to the West, Fredericksburg Road to the East, and Huebner Road to the North.

Recharge Zone:

San Antonio International Airport Area:

Telecommunications: Businesses primarily engaged in research & development, regional distribution, defense-related operations and the manufacturing of telecommunication-related products and services. It does not include operations involved in the retail sale of telecommunications products and services. It also does not include operations categorized as call centers.

## **APPENDIX B**

